

1 **TESTIMONY OF DAVID HOGUE IN SUPPORT OF PROPOSAL NUMBER 129**

2 **SENATE APPROPRIATIONS COMMITTEE**

3 **OCTOBER 13, 2021; 9:00 AM**

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5 Good morning Chairman Holmberg and members of the Senate Appropriations
6 Committee. My name is David Hogue. I am a North Dakota state senator representing
7 District 38, which includes northwest Minot and the city of Burlington. I appear before
8 your committee to seek support of Proposal Number 129 (the "Proposal") on our
9 spreadsheet.

10 The Proposal is not a new program. It is an existing revolving loan program
11 administered by the Bank of North Dakota ("BND"). It is the backbone of financing for
12 rural health care facilities in North Dakota. It's a highly effective existing program.
13 Why do I say that? Well, the program was capitalized with \$ 50 million but its principal
14 is exhausted and loaned out mostly to rural critical access hospitals. Demand exceeds
15 supply. The revolving loan program brings in approximately \$ 2 million of loan
16 repayments but that's not nearly enough to meet the current demand for new projects,
17 which typically might require \$ 5-15 million of gap financing.

18 Typically, a critical access hospital could hope to borrow 80% of its construction
19 cost from the USDA. The revolving loan program is used to help bridge the 20% gap.

20 The most recent loan recipient invites scrutiny regarding the efficacy of the
21 program. In Grafton the medical provider built an addition of approximately 40,000
22 square feet of clinical space. The rural provider in Grafton borrowed approximately \$ 5

1 million to cover its share of the \$ 22 million construction cost for an addition to its
2 hospital and clinic. This space was all clinical space and not office or administrative
3 space. The CEO of that entity, Mr. Alan O'Neil informed me this project would not have
4 been possible without the support of the medical infrastructure loan program through
5 BND.

6 The Griggs County project that we're likely providing a \$500,000 grant is another
7 example of a rural project needing gap financing. I spoke with the provider's principal
8 fundraiser who indicated they will be raising dollars privately to meet the gap funding.

9 There are several proposals that could apply for that funding now. I am
10 aware that Rugby is looking for the USDA loan program and needs gap financing. I am
11 also aware that the city of Williston is collaborating with a private provider to build a
12 clinic or hospital or both.

13 The program is not just for critical access hospitals. The Minot health care
14 system could benefit as well. Trinity Health has its financing in place for the
15 construction of a new hospital and medical office building. Providers operating health
16 care facilities in Minot and larger cities do not qualify for the USDA loan program. So,
17 the larger providers typically issue MIDA bonds to finance the larger projects. That's
18 how they access low interest capital for their large projects. The dominant provider in
19 Grand Forks recently went to market, selling MIDA bonds and using the proceeds for
20 the construction of its new hospital.

That borrowing process of issuing MIDA bonds is for large projects because of the high transaction costs. But larger health care systems have a need for this program for financing smaller clinics or remodel projects.

The key advantage of the Proposal is that it leverages ARPA dollars across the state over multiple generations. The state gets to keep that money as the lending capital within BND. In short, we are putting the money to work right away and keeping it as part of the assets of BND.

Mr. Chairman and members of the Committee, I'm happy to stand for your questions.